Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 887 (Substitute S-3 as reported)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the Use Tax Act to specify that the tax levied under the Act would not apply to tangible personal property acquired by a person engaged in the business of constructing, altering, repairing, or improving real estate for others to the extent that the property was purchased by another person that was not exempt from the tax levied under the Act or the General Sales Tax Act, and the property was provided to that contractor for the sole purpose of affixing that tangible personal property to and making it a structural part of real estate on behalf of the purchaser.

(The Use Tax Act and General Sales Tax Act impose a tax of 6% on the purchase price and sales price of nonexempt personal property and services.)

The bill states the following: "It is the intent of the legislature that this amendatory act clarifies that existing law as originally intended provides that the tax levied under this act does not apply to tangible personal property acquired by a person engaged in the business of installing tangible personal property if that tangible personal property is purchased by another for installation on behalf of that other person."

Proposed MCL 205.94ee

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have little to no impact on use tax revenue. The bill could possibly reduce revenue by an unknown amount in the case of a taxable purchaser acquiring property under tax-exempt provisions, and then transferring it to another person to affix to and make part of real property. Such circumstances would represent instances in which property was acquired for exempt purposes but later used for nonexempt purposes. An example would be where a purchaser acquired property for resale (an exempt purpose), but instead of being resold, the property was transferred to a person to affix it to real estate (a nonexempt purpose). Such situations are expected to represent a minimal number of use tax transactions, and thus would result in a minimal reduction to use tax revenue.

Date Completed: 3-21-18

Fiscal Analyst: David Zin